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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

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2. CZECHOSLOVAKIA. Government prepares to recruit youth for mines: Minister of Manpower Havelka has announced that the government will wage a drive during 1952 to employ youths aged 17-22 in a six-months' training course in mining and those aged 15-17 as mining apprentices. [REDACTED]

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Comment: This new government attempt to solve the manpower shortage in mines reflects the serious state of the coal industry. According to Premier Zapotocky, Czechoslovakia was behind schedule in coal production by 1,441,680 tons at the end of September 1951.

3. YUGOSLAVIA. Current Dutch position imperils Yugoslav financial approaches to other creditors: A Yugoslav request to postpone payment on a six million guilder (approximately one and one half million dollars) debt from the summer of 1952 to 1954 has been tentatively rejected by Dutch negotiators. The Dutch offer is to postpone initial payment on the debt and an eight million guilder swing ceiling to the summer of 1952.

Although Dutch diplomatic officials see little hope for the Yugoslav request, they have indicated [REDACTED] that there is some hope for a postponement if the Yugoslav balance of payments deficit is still serious next summer, and if they will accept the Dutch offer as it now stands. [REDACTED]

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Comment: The prospect of a final Dutch refusal to comply with the plan formulated at the London Conference last June by Britain, France and the US would set a dangerous precedent. The tripartite plan is designed to strengthen the Yugoslav economy by underwriting her balance of payments

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deficit and to present a common approach for debt-readjustment to Yugoslavia's European creditors. Unless Yugoslavia's creditors agree to a postponement of repayments or a refunding schedule, aid funds will tend to be dissipated as "leakages" to fourth countries -- Austria, Belgium and West Germany -- in the form of debt repayments or high servicing charges.

Yugoslav debts to fourth countries total approximately \$60 million. The tripartite aid program designed to cover the current balance of payments deficit is \$125 million.

ECA officials intend to employ tripartite funds to cover the unplanned balance of payments deficit resulting from the Dutch refusal. Belgrade and The Hague are unaware of this plan, however, because the three governments are anxious to finance as little "aid leakage" as possible.

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SECTION 2 (EASTERN)

1. IRAN. Partial agreement reached on Iran-USSR border: The US Embassy in Tehran reports that the Iranian-Soviet Border Commission has reached agreement on one border point, in the vicinity of Astara in Northern Iran immediately west of the Caspian. No details of the reported agreement are available. The Embassy remarks that there is no reason to believe that an over-all agreement has been approved. [REDACTED]

Comment: The inexact definition of many areas of the Iranian-Soviet border has been the cause of numerous clashes between Iranian and Soviet border guards. The Iranians, disturbed by repeated Soviet encroachments at various points on the frontier, have been eager to have the border properly defined. This reported agreement represents the first result of negotiations which have been going on for the last year.

3. BURMA. Soviet influence seen in 7 November celebrations: The Soviet Embassy entertained 500 guests, including the Burmese Prime Minister, at a lavish reception on 7 November. The Prime Minister also attended a similar celebration sponsored by the Trade Union Congress (Burma), an appendage of the Burma Socialist Party, and was seated beneath a portrait of Lenin. The TUCB cabled greetings to Stalin. The US Embassy in Rangoon states that the TUCB rally and the cable to Stalin were the results of the successful activities of the Soviet Information Attache. [REDACTED]

Comment: The Russians revealed political astuteness in exploiting

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a government-dominated labor organization rather than the WFTU-affiliated Burma Trade Union Congress, which is controlled by the pro-Communist BWPP. Of special significance is the fact that U Ba Swe, the extremely leftist chief of the Socialist Party, who has been rumored to be angling for the Premiership, is head of the TUCB. The Russians could not have been successful in their machinations without his cooperation.

4. USSR suspected of pressuring Burma's UN delegation: The recently established "triple alliance," which includes the BWPP, recently issued an "instrument of instructions" to the Burmese delegation to the UN General Assembly. Barely mentioning Burma, support was demanded for the Soviet position on all matters of international concern, including such varied matters as a five-power peace pact, revision of the Italian treaty, Spanish membership in the UN, disarmament, and atomic weapons. The "instrument" terminated with a threat to the Burmese Government if its terms are not respected.

Comment: Encouraged by the success of their propaganda attacks upon the Burmese Government's policies, the pro-Communists are obviously becoming increasingly bold in their efforts to influence the course of events in Burma. The subject matter of this "instrument" strongly suggests that it was produced by the Soviet Embassy and channeled through the BWPP, with which that embassy has developed close connections.

5. INDONESIA. Large-scale security operation launched against West Java dissidents: Official sources have announced that on 3 November Government troops launched an "unprecedentedly large-scale" operation against dissidents in West Java. Initiation of the operation was preceded by the appointment of Colonel Kawilarang, probably the most aggressive and best tactical military commander in Indonesia, to the West Java territorial command. Kawilarang's appointment and recent high level security meetings partially confirm the widespread impression among observers in Indonesia that the Government is "about to commence" positive action to suppress insecurity in West Java.

Comment: The Government has been engaged in "positive action" against dissidents in West Java for months. Each new operation is heralded as likely to bring better results than the former one, but to date results have been most inadequate.

The present operation, however, may be somewhat more effective. Kawilarang is considered an efficient commander and apparently has a greater number of troops at his disposal than have been utilized in previous sweeps. If Kawilarang can so dispose his additional troops to prevent the escape of the dissidents -- one of the chief difficulties en-

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25X1 countered in previous operations -- he may be successful in reducing dissident strength in West Java.

7. CHINA. Chinese report increased foreign trade despite Western export controls: A report by the Chinese Communist Minister of Trade declares that both imports and exports in 1951 exceeded last year's levels. Trade agreements were signed with the USSR, Czechoslovakia, Poland, Hungary and East Germany, and barter trade was carried on with North Korea, Outer Mongolia, Rumania and India. The increased trade with the USSR and Eastern Europe, it is declared, disproved the "American imperialist" belief that China could be seriously affected by Western blockade and embargo measures.

25X1 Comment: China's success in increasing its trade with other Orbit countries has unquestionably been effective in countering Western embargo measures. The consensus among observers in Hong Kong is that these embargo measures have not yet proved seriously damaging to China's economy. However, the Chinese have been aided by stockpiles acquired before Western export controls became really restrictive. As pre-embargo stockpiles are depleted, Western controls are expected to prove increasingly damaging to China's economy.

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10. KOREA. Communists press air activity southwards: Photo reconnaissance on 9 November of Uiju airfield, on the Korean side of the Yalu River, revealed 26 MIG-15 jet fighters in revetments or in preparation for flight. This is the first confirmed sighting of enemy jets on a Korean field.

On the same day, a UN reconnaissance jet bomber was attacked by three enemy jets southwest of Pyongyang. The Communist aircraft, believed to be elements of a flight of 40 to 50 other MIG-15's sighted by the bomber south of Pyongyang, pressed their attack southwards for 12 minutes, breaking off over a Yellow Sea island almost due west of Seoul.

The Far East Command believes that this new phase in enemy operations indicates a "definite" southward expansion of Communist counter-air activities.

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Comment: Further evidence of the Communists' intention to expand their air operations in Korea is seen in the continued strenuous enemy efforts to ready the three-airfield complex in northwestern Korea -- Namsi, Taechon and Saamcham -- for operations, and in recent additions to the already heavy antiaircraft defenses of these fields.

11. Communists reinforce battered forces in central sector: The capture and interrogation of Chinese Communists from the 3rd Composite Army Group near Kumsong in the central sector may indicate the impending relief of the battered remnants of the Chinese Communist 67th Army in this sector. In this connection, elements of the 68th Army, previously committed to bolster the 67th in the central sector, have begun to appear farther east in the 68th Army's sector, and two divisions of the 12th Army, 3rd Composite Army Group have been accepted in contact near Kumsong. Prisoners have also been taken in this sector from the other two armies of this army group, the 15th and the 60th. [REDACTED]

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Comment: The reported eastward movement of the Chinese Communist 3rd Composite Army Group to bolster hard-pressed forces in the Kumsong area reduces somewhat the enemy's capability for offensive action in the western sector.

12. JAPAN. USSR may establish trade office in Japan: The US Political Adviser in Tokyo reported that in late September the belief was gaining ground in GHQ and in the Japanese Foreign Office that the Soviet Office of the Allied Council in Japan might attempt to establish its post-Occupation status in Japan by transforming itself into a Trade Office. The Russians have already applied to purchase real property in Japan, and have requested a model copy of Japan's trade agreements. [REDACTED]

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Comment: The Allied Council for Japan, as an Occupation agency, will dissolve when the peace treaty comes into force. Belief that the Soviet Office may be planning to convert itself into a trade agency is further strengthened by the informal discussion on trade matters held by two Soviet representatives with a group of Diet members on 2 November, which may have been a preliminary step to a formal request for a post-Occupation trade agreement.

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SECTION 3 (WESTERN)

1. BELGIUM. Tumultuous tone of parliamentary opening promises to continue. The Belgian Chamber of Deputies adjourned for about an hour on 8 November following the uproar created by a Socialist Party leader's accusations that the one-party Social Christian government of Premier Pholien was forging figures on the Belgian national revenue. The Socialist deputy stated that two sets of figures were prepared, one having the notation "for use abroad." A Cabinet member pointed out that these figures are merely estimates, but has not denied that there are two sets of figures.

A leader of the Social Christian Party, along with the Socialist Party, has stated that a constitutional amendment is necessary prior to ratification of the Schuman Plan. Such an amendment would require the dissolution of Parliament. The US Embassy in Brussels, however, states that new elections over the Schuman Plan ratification do not seem probable, although political wrangling may delay acceptance.

Comments: The vote of confidence given to the Pholien Cabinet, when Parliament recently reconvened, indicated at least a temporary cessation of the crisis within the Social Christian Party. However, the government's ability to undertake a firm legislative program is extremely limited.

In view of the opposition to the Schuman Plan among industrial circles, its presentation before Parliament will probably be postponed as long as possible. Controversy over the Schuman Plan offers the Socialists the best opportunity to date to place the Pholien government in a precarious position vis-a-vis Parliament.

2. ITALY. Decline in cost of living unlikely to end labor's demands for higher wages: According to the Central Institute of Statistics, the cost-of-living index fell slightly during September. The decline was due mainly to lower prices for food and clothing. Wholesale prices also declined during this period and present indications point to a short-term continued decline in wholesale prices. However, since the downward trend in international prices seems to have ended in August and prices began to increase on a number of imported food and raw material items, it is likely that in the long run domestic prices may register new increases. In the period January-September 1951, the average cost of living was more than eleven percent higher than during the same months in 1950.

Comments: The slight decline in the cost of living in September is unlikely to placate labor's demand for higher wages. It will however, temporarily strengthen the hands of the non-Communist labor leaders, who have

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urged a reduction in the cost of living rather than higher wages, and will embarrass the Communists, who have only lately expressed support of this point of view in an effort to attain "unity of action" with non-Communist labor unions.

3. Budget Minister Pella's continued participation in government in balance: A highly delicate situation has been created by the failure of the Italian Parliament to approve bills concerning the reorganization of the Treasury and Budget Ministries. This indicates that the general issue of the liquidation of the Treasury Ministry and of Budget Minister Pella's continued participation in the government will be decided upon by a vote on the general accounting office bill. [REDACTED]

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Comment: Opposition to what are regarded as Pella's overly conservative financial policies has periodically let loose rumors as to his impending departure from the government. Premier de Gasperi appears to give full support to Pella's economic theories. Under the proposed reorganization of the finance ministries, the direction of financial policy will be more firmly secured in Pella's hands. Because the Christian Democrats and Republicans control Parliament, it appears unlikely that Pella will be replaced.

4. UNITED KINGDOM. Yugoslav airmen trained by British to use aid equipment: The Royal Air Force has completed the training of five Yugoslav pilots and fifteen ground technicians. These Yugoslavs are slated to instruct pilots of the Yugoslav Air Force on the Mosquito night fighters and fighter bombers which Britain is giving to Yugoslavia as military aid. [REDACTED]

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Comment: Yugoslavia is scheduled to receive over 40 fighters from the UK by next March. The fighter bombers will require extensive rehabilitation before transfer.

5. NORWAY. New Prime Minister appointed: Oscar Torp, head of the Labor Party Storting delegation, became Prime Minister of Norway on 13 November. He replaces Einar Gerhardsen, Prime Minister since 1945, who resigned for personal reasons. The other cabinet members have been asked to remain in office and Torp has announced that the change will not affect government policies. [REDACTED]

Comment: Torp is a veteran Labor Party politician and organizer. He is known to have supported the policies pursued by the Labor government under Gerhardsen and therefore is not expected to make any radical changes in Norwegian domestic or foreign policies.

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7. DENMARK. Trade agreement reached with Poland; Denmark will receive 1,630,000 tons of coal from Poland under the terms of the new trade agreement. Some 230,000 tons are to be delivered during October and November, and the balance between 1 December 1951 and 1 December 1952. These amounts include the backlog (ca. 500,000 tons) from the 1950 trade agreement. Denmark will deliver 6.8 million crowns (983,000 dollars) worth of automobile and truck parts due under the 1950 agreement. [redacted]

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[redacted]

Comment: Denmark must obtain approximately 50 percent of its coal imports from Poland. The recent negotiations were rendered difficult because Denmark has been unable to obtain the automotive and truck parts for re-export to Poland. The new coal quota (1,400,000 tons) represents approximately the same quantity as actually delivered during the last trade year (1 October - 30 September).

8. NICARAGUA. Government fights Communist infiltration of labor; The Nicaraguan Government has started direct action against Communist infiltration of certain labor organizations by revoking the charters of the Nueva Federacion de Trabajadores de Managua (the largest affiliate of Nicaragua's General Confederation of Labor and its heaviest contributor) and of five of its affiliated syndicates. The US Embassy comments that this is probably just the opening move in a campaign whose publicly announced purpose is to clear out the Communists, but which will probably be used by the government also to obtain and exercise a still tighter control over the labor movement in Nicaragua. [redacted]

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Comment: This move of the government may weaken whatever influence the Communist Party has over the General Confederation of Labor and will

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deal a serious blow to that party's plans for domination of the Nicaraguan labor movement. Furthermore, in view of the probability of further repressive measures being taken, it is anticipated that the overall result, as indicated by the Embassy, will be an increase in governmental control and a decided decrease in the strength and independence of organized labor.

9. ARGENTINA. Peron re-elected president in orderly elections: Preliminary returns indicate that General Peron has been re-elected President with a two-to-one lead over his nearest opponent. Peronistas also won all of the sixteen gubernatorial posts and all the seats in the national senate. In the Chamber of Deputies, only five seats have been claimed by the opposition thus far. The elections were carried out in an orderly fashion with only a few minor skirmishes reported at polling places.

Completion of the electoral period may slightly lessen general political tension in Argentina, but it will not resolve the many political and economic problems facing Peron. The administration's nervousness about the still unstable political situation is reflected in the re-establishment of the state of internal war, which was suspended only for election day. (Factual data from:)

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SECTION 2 (EASTERN)

1. EGYPT. Prime Minister reportedly considering Western defense proposals:

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Comment: The Egyptian Prime Minister may now be recognizing that, while the disturbances and incidents of the past few weeks have made the British position in the Canal area more difficult, their continuation, uncontrolled, would threaten the existence of his own Cabinet. While the Prime Minister may be having second thoughts about the value of the Western defense proposals, it is difficult to see how he or any successor at the present time could reverse Egypt's previous rejection of the proposals.

There seems little scope for further British compromise on the Sudan, nor has there been any indication that the new Churchill government is in a yielding mood.

2. IRAN. Iranian political intrigues increasing: The continued absence of Prime Minister Mossadeq has led to growing restiveness and indecision on the part of Iranian National Front leaders. Personal rivalries and ambitions reportedly have created dissension in the Cabinet. In this atmosphere of general political uneasiness and confusion, the opposition has been quietly maneuvering to gain more support for the replacement of Mossadeq by Ahmad Qavam.

Comment: Mossadeq's failure to achieve any solid results from his long negotiations abroad will undoubtedly add to the strength of the opposition, but there is no evidence that it will be able to remove him.

3. INDOCHINA. De Lattre issues "warning" to Vietnamese Premier: General de Lattre told Malcolm MacDonald that De Lattre's criticism of Premier Tran Van Huu to various visitors was made in the expectation that these statements would be reported to Huu and serve as a "warning" to him to mend his ways.

[REDACTED]

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SECTION 3 (WESTERN)

4. UNITED KINGDOM. London seriously concerned over Malayan situation:
Officials in the Colonial Office state that Colonial Secretary Lyttelton's forthcoming visit to Malaya is prompted by their concern over the failure of the Briggs Plan to produce results commensurate with the heavy expenditures and by the demands of local authorities for broader emergency powers. Since a major turnover of ranking officials is in prospect, Lyttelton wishes to consult with the retiring officials on the spot.

Malcolm MacDonald's term of office as Commissioner General in Southeast Asia expires next May and probably will not be renewed

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Comment: No indications have been received that the new Cabinet intends to make any basic changes in present British policies in the Malayan emergency. The British are apparently counting on General Lockhart, Briggs' successor, to prosecute the campaign with greater vigor

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